

Message Text

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44

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

OMB-01 TRSE-00 FRB-03 IO-10 /078 W

----- 051022

R 291400Z DEC 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 9516

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E.O. 11652: N/A

TAGS: EFIN, IS

SUBJECT: DRAFT BUDGET FOR 1976/1977

REF: TEL AVIV 8083

1. CABINET ON DEC 28 APPROVED DIVISION AMONG VARIOUS MINISTRIES OF 76/77 BUDGET WITHIN CEILING OF IL 84.25 BILLION DECIDED AT LAST SESSION (REFTEL). DEFENSE BUDGET TOTALS IL 25.05 BILLION IN 1975 PRICES FOREIGN CURRENCY COMPONENT OF DEFENSE BUDGET IS \$1.75 BILLION, COMPARED TO \$1.65 BILLION DURING CURRENT FISCAL YEAR. SUM OF \$150 MILLION WAS CUT FROM ORIGINAL DEFENSE PROPOSAL, AND ADDED TO ISRAELI PORTION OF DEFENSE BUDGET BRINGING LATTER TO IL 12.5 BILLION. IN REAL TERMS DEFENSE BUDGET IS THUS, ACCORDING TO MINISTRY OF DEFENSE OFFICIAL, SOME FOUR PERCENT HIGHER THAN CURRENT YEAR'S DEFENSE SPENDING.

2. ISRAELI OFFICIALS MAINTAIN THAT DECLINE IN NON-MILITARY PORTION OF DRAFT BUDGET MORE THAN OFFSETS INCREASE IN DEFENSE ALLOCATION, LEAVING NO INCREASE IN REAL TERMS FROM THIS YEAR'S TOTAL BUDGET AND PROBABLY SLIGHT REDUCTION. THEY POINT OUT, HOWEVER, THAT FIGURE CITED ABOVE FOR DEFENSE BUDGET DOES NOT REPEAT NOT INCLUDE QUOTE 25 PERCENT ESCALATION UNQUOTE FOR PRICE INCREASES EXPECTED OVER THE FISCAL YEAR. IN FACT TOTAL

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BUDGET INCLUDES IL 14,553 MILLION FOR QUOTE PRICE INCREASES AND

RESERVE UNQUOTE. THUS DEFENSE PORTION WILL LIKELY AMOUNT TO ABOUT 39 PERCENT OF TOTAL BUDGET AS IN 1975. WITH REGARD SHIFT OF \$150 MILLION FROM PLANNED DOLLAR IMPORTS TO DOMESTIC PROCUREMENT, OFFICIALS EXPLAIN THAT THIS SUM WILL BE SPENT IN ISRAEL'S FY-76 BEGINNING APRIL 1, AND IS IN ADDITION TO \$150 MILLION CASH GRANT INCLUDED IN PROPOSED U.S. FY-76 AID PACKAGE WHICH GOI HOPES TO SPEND IN CURRENT FISCAL YEAR, I.E., BEFORE MARCH 31, 1976.

3. BUDGET IS SCHEDULED TO BE TABLED IN KNESSET ON FEB 23. AS KNESSET IS NOT LIKELY TO COMPLETE DELIBERATIONS ON BUDGET BEFORE END OF CURRENT FISCAL YEAR, CABINET DECIDED ALSO TO SUBMIT AN INTERIM BUDGET FOR APRIL-JUNE 1976 AMOUNTING TO 20 PERCENT OF OVERALL BUDGET (EXCLUDING PRICE INCREASES).
TOON

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